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STATE OF MONTANA

MONTANA HISTORICAL SOCIETY

Report on the Examination of the Financial Statements
Two Fiscal Years Ended June 30, 1980

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MONTANA
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STATE OF MONTANA

# MONTANA HISTORICAL SOCIETY

Report on the Examination of the Financial Statements
Two Fiscal Years Ended June 30, 1980

80-7

Office of the Legislative Auditor
Room 135, State Capitol
Helena, Montana 59620

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## APPOINTIVE AND ADMINISTRATIVE OFFICIALS

## MONTANA HISTORICAL SOCIETY BOARD OF TRUSTEES

| | | Term Expires July 1 of |
|---|---|---|
| Eric J. Myhre, President* | Helena | 1982 |
| Warren P. Hall* | Billings | 1981 |
| Mrs. Walter Marshall | Helena | 1981 |
| Joseph E. Reber | Helena | 1981 |
| Mrs. Charles A. Bovey | Great Falls | 1982 |
| Michael P. Malone | Bozeman | 1982 |
| Manson Bailey, Jr. | Glasgow | 1983 |
| George W. O'Connor | Butte | 1983 |
| Dee C. Taylor | Missoula | 1983 |
| William Mackay | Roscoe | 1984 |
| Randall Swanberg* | Great Falls | 1984 |
| Wilbur P. Werner* | Cut Bank | 1984 |
| Jay Contway | Great Falls | 1985 |
| Mrs. Louis W. Hagener* | Havre | 1985 |
| James W. Reger | Billings | 1985 |

*Denotes Executive Committee

### Montana Historical Society

| | |
|---|---|
| Dr. Robert Archibald | Director |
| Linda Gamble | Business Manager |

## SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full reply of the Montana Historical Society is included in the back of this report.


| | | Page |
|---|---|---|
| 1.A. | Establish accountability and adequate internal controls over cash receipts for the enterprise operations. | 5 |
| Agency Reply: | Concur. See page 36. | |
| 1.B. | Record depreciation expense in the enterprise operation in accordance with generally accepted accounting principles. | 5 |
| Agency Reply: | Concur. See page 36. | |
| 2. | Seek assistance from the Department of Administration and State Lands to property report the trust investment in its financial records. | 6 |
| Agency Reply: | Concur. See page 37. | |
| 3. | Accrue all susceptible revenues and expenditures at fiscal year-end to comply with generally accepted accounting principles and state accounting policy. | 8 |
| Agency Reply: | Concur. See page 37. | |
| 4. | Accurately reflect their financial activity by recording as revenue money received in exchange for goods and services. | 9 |
| Agency Reply: | Concur. See page 37. | |
| 5. | Seek approval of and maintain an indirect cost plan to recover indirect costs of federal programs. | 10 |
| Agency Reply: | Concur. See page 37. | |

## SUMMARY OF RECOMMENDATIONS (Continued)


| | | Page |
|---|---|---|
| 6. | Maintain an adequate recordkeeping system for the historic preservation program. | 11 |

Agency Reply: Concur. See page 37.

| | | |
|---|---|---|
| 7. | Pay vendor invoices in a timely manner. | 12 |

Agency Reply: Concur. See page 38.

| | | |
|---|---|---|
| 8. | Limit purchases of books and permits to amounts necessary to meet immediate demand. | 13 |

Agency Reply: Concur. See page 38.

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# COMMENTS

## INTRODUCTION

We performed a financial compliance audit of the Montana Historical Society for the two fiscal years ending June 30, 1980. The objectives of the audit were to: (1) express an opinion on the Society's financial statements for the two fiscal years ending June 30, 1980; (2) determine if the Society complied with applicable laws and regulations; and (3) make recommendations for improvement in the management and internal controls of the Society.

The Society made adjustments to the accompanying financial statements. Except for the Revolving (Proprietary) Funds, this has resulted in an unqualified auditor's opinion on these statements.

We thank the director and his staff for their cooperation and assistance during our audit.

### Society Background and Organization

The Montana Historical Society was established in 1865 by the Territorial Legislature. The law authorizing the Society states that it is, ". . . an agency of state government for the use, learning, culture and enjoyment of the citizens of the state and for the acquisition, preservation and protection of historical records, art archival and museum objects, historical places, sites and monuments and the custody, maintenance, and operation of the historical library, museums, art galleries, and historical places, sites and monuments."

The government and administration of the Society is vested in a board of fifteen trustees appointed by the Governor with the consent of the Senate. The Society director is responsible for the immediate direction, management, and control of the Society. The Society operates the eight major programs listed below:

1. Administration
2. Archives
3. Library
4. Merchandising
5. Museum
6. Publications
7. State Historic Preservation
8. Libby Dam

Separate audit reports were issued by our office for Historic Sites Preservation program grants, and for grants from the Corps of Engineers administered by the Society.

## INTERNAL CONTROL REVIEW

As part of our examination, we made a study and evaluation of the Society's system of internal accounting control to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures necessary for expressing an opinion on the financial statements and to assist in planning and performing our examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also

recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

Our study and examination of the Society's system of internal accounting control for the fiscal years 1978-79 and 1979-80 would not necessarily disclose all weaknesses in the system because it was based upon selective tests of accounting records and related data. However, our study and evaluation disclosed a condition that we believe to be a material weakness in the internal accounting controls established by the Society. We discuss this weakness relating to Merchandise program revenues in the following paragraphs.

ENTERPRISE OPERATIONS

The Merchandising and Publications programs of the Society operate using an enterprise system of accounting. An enterprise activity is financed and operated similar to private business enterprises. The intent is to recover costs, including depreciation, through user charges.

The generally accepted basis to account for enterprise programs is the full accrual basis, with equipment depreciated over its useful life and inventories for resale reported at cost and expensed as they are sold.

The Society's major source of revolving fund revenue is from the sale of documents, merchandise, and property. These sales are made at the Society museum in Helena for the Merchandising and Publications programs and at the Libby Dam Visitor Center. Merchandise sales, which represent 60 percent of the total revolving

fund revenues for the fiscal year-end 1978-79 and 68 percent for the fiscal year-end 1979-80, were $220,844 and $272,165, respectively.

The following sections detail problems encountered during our review of the Society's enterprise operations. As a result of these weaknesses, we were unable to test the detail records and accounts for the merchandise program's sales to determine whether recorded amounts were reasonable.

Controls

Sales are made over the counter at the museum and by mail. We found weaknesses in internal controls over cash receipts and revenue for this program. For most of the audit period, a reconciliation was not made between the cash receipts log and the daily cash register tape to the amount deposited in the State Treasury. Because of staff turnover, it was not possible to determine what revenue collection and recording procedures were used during fiscal year 1978-79 and part of fiscal year 1979-80.

Merchandise Inventory

Based on a prior audit report, the inventory balance at fiscal year-end June 30, 1978 was unauditable. The Society's records for the June 30, 1979 inventory balance do not provide a determination of inventory and cost of goods sold. Because of this, we could not determine the reasonableness of these expenses. Also, no records of inventory turnover that could be used to analyze the merchandise program revenues were maintained. The Society's inventory procedures improved during fiscal year 1979-80.

Depreciation Expense

A fundamental accounting requirement prescribed for enterprise operations is to allocate the cost of an asset over its useful life in the form of depreciation expense. This method provides a matching of expenses with those revenues produced from the assets each year the assets are in use.

During our audit period depreciation was not recorded for either the merchandise or publication enterprise operations. These programs reported over $33,000 of equipment at June 30, 1980.

During fiscal year 1979-80 the Society retired some assets in the revolving fund. As a reminder to agencies to remove the related accumulated depreciation and record a gain or loss, an account entitled "Reduction of Non-general Fixed Assets" is recorded on the Society's accounting records equal to the amount of the retired assets. Because the Society recorded no depreciation, this account remains on the Society's balance sheet in the revolving fund at June 30, 1980. The "Reduction of Non-general Fixed Assets" account should have a zero balance at year-end.

RECOMMENDATION #1

WE RECOMMEND THAT THE SOCIETY:

A. ESTABLISH ACCOUNTABILITY AND ADEQUATE INTERNAL CONTROLS OVER CASH RECEIPTS FOR THE ENTERPRISE OPERATIONS.

B. RECORD DEPRECIATION EXPENSE IN THE ENTERPRISE OPERATION IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

## TEAKLE TRUST

The Society received cash totalling about $30,000 cash from the Thomas Teakle Estate. The investment is deposited in the Trust and Legacy Fund administered by the Department of State Lands. In order to adequately administer this investment, it should be recorded in the Society's accounting records.

According to the Teakle will, the principal amount is to remain permanently undiminished, with only the interest or income to be used for the expansion of the Society's collection of books and periodicals relating to western history. Each quarter the interest is transferred from State Lands to the Society.

The prior auditor's report recommended that the Society record Teakle Trust investments in its accounting records. The Society owns the Teakle Trust and is responsible for the administration of the money. To properly reflect total assets within the Society's accounting records, the Teakle Trust principal should be reported in the Society's accounting records. We discussed the matter with officials from the Department of Administration and State Lands. They indicated they would assist the Society in properly reporting the investment. In fiscal year 1980-81 the Society recorded the investment on its records.

### RECOMMENDATION #2

WE RECOMMEND THAT THE SOCIETY SEEK ASSISTANCE FROM THE DEPARTMENT OF ADMINISTRATION AND STATE LANDS TO PROPERLY REPORT THE TRUST INVESTMENT IN ITS FINANCIAL RECORDS.

ACCRUALS

Generally accepted accounting principles (GAAP) and state accounting policy require that expenditures be recorded in the year for which they are a valid obligation. A valid obligation exists when services have been rendered or materials received. An expenditure accrual should be established when a valid obligation exists at fiscal year-end.

Revenues should be recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period.

The Society did not accrue certain valid obligations and susceptible revenues at fiscal year-ends 1978-79 and 1979-80 or charge certain expenditures and revenues to the correct fiscal year. In one case, a billing of $114,352 for the Historic Preservation program was received from the sub-grantee in July 1979 for work performed during fiscal year 1978-79, creating a valid obligation at June 30, 1979. When reimbursement from the federal government was received in fiscal year 1979-80, the Society recorded it as revenue of the current year and the billings were paid and charged to current year expenditures. This expenditure and revenue should have been accrued at June 30, 1979. This error caused federal cost reimbursement receivables, accrued expenditures, expenditures, and revenue of $114,352 to be understated in the Federal and Private Grant Clearance Fund at June 30, 1979. Fiscal year 1979-80 expenditures and revenue were overstated by the same amount.

Another example involved a valid obligation for printing costs in the Publications program of $13,205 that existed at fiscal year-end 1979-80. The Society accrued only $6,260 of this amount. By not accruing the remaining amount of the obligation, the Society's expenditures and liabilities in the General Fund were understated by $6,945 at fiscal year-end 1979-80.

The accompanying financial statements were adjusted for the cases discussed above.

A third case involved vendor invoices from fiscal year 1978-79 of $15,000. The federal grant money to be used for payment of these obligations was received and deposited prior to year end. The Society did not pay these invoices until the following fiscal year. This delayed payment understated fiscal year 1978-79 expenditures and liabilities, and overstated fiscal year 1979-80 expenditures.

RECOMMENDATION #3

WE RECOMMEND THAT THE SOCIETY ACCRUE ALL SUSCEPTIBLE REVENUES AND EXPENDITURES AT FISCAL YEAR-END TO COMPLY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND STATE ACCOUNTING POLICY.

## ABATEMENTS

To fully disclose their financial activities, the Society should record all money received in exchange for goods and services as revenue.

The Montana Operations Manual (MOM) defines expenditure abatements as the receipt of amounts erroneously expended from the appropriation being credited. According to this definition, the collections described below do not qualify as expenditure abatements.

During our audit period the Society received moneys from making copies of books and microfilm, making color transparencies, and other types of goods and services. These collections were recorded as expenditure abatements in order to reduce expenditures and increase available appropriation balances.

Recording receipts by offsetting expenditures eliminates the effect of the entire transaction on the accounting records. This understated both expenditures and revenues in the general fund for fiscal years 1978-79 and 1979-80 by at least $7,383 and $4,650, respectively. If the transactions were properly recorded, the Society would have overspent its general fund appropriation for the Administration, Library, Museum and Archives programs for fiscal year 1979-80 by $4,340. The accompanying financial statements were adjusted for these amounts.

The Society went to the Office of Budget and Program Planning during fiscal year 1979-80 to develop a plan for properly recording these abatement transactions. It was determined that a revolving fund operation be established to handle these costs at the beginning of fiscal year 1980-81.

RECOMMENDATION #4

WE RECOMMEND THAT THE SOCIETY ACCURATELY REFLECT THEIR FINANCIAL ACTIVITY BY RECORDING AS REVENUE MONEY RECEIVED IN EXCHANGE FOR GOODS AND SERVICES.

## FEDERAL GRANTS

### Indirect Cost Reimbursement

The federal government recognizes and provides for reimbursements to state agencies for indirect costs incurred in the administration of federal grants. Section 17-3-111, MCA, requires that each agency negotiate agreements with the federal government to recover, to the fullest extent possible, indirect costs of administrating federal grants. Management Memo 4-80-4 furnishes instructions for agencies to collect and account for these indirect cost reimbursements.

The Society did not seek federal reimbursement for the cost of support services received from other state agencies. The Statewide Cost Allocation Plan for fiscal year 1979-80 identifies Society indirect costs of $12,314 for services rendered by other state agencies. We did not determine the exact portion of this amount applicable to the administration of the Society's federal grants.

RECOMMENDATION #5

WE RECOMMEND THAT THE SOCIETY SEEK APPROVAL OF AND MAINTAIN AN INDIRECT COST PLAN TO RECOVER INDIRECT COSTS OF FEDERAL PROGRAMS.

## HISTORIC PRESERVATION PROGRAM

The director of the Society is also the State Historic Preservation Officer and has direct supervision over the Historic Preservation program. The program provides matching funds for acquisition,

development, and survey and planning of structures listed on the National Register of Historic Sites.

Federal requirements provide that the administrative officer maintain accurate and adequate disclosure of the financial results of each grant program and that the source and application of funds for grant activities be identified. A prior auditor's report recommended that the program comply with these requirements. In October 1979, a consultant was hired to develop an adequate accounting system. We tested the adequacy of the system for compliance with the federal requirements.

The current recordkeeping system consisted of a ledger book of transactions which recorded the increases and decreases of each account. We noted the Society was not using the double-entry accounting system properly and, as a result, there was not an equality of debits and credits posted to the accounts. The ledger was not kept up to date and the entries were inconsistently explained or referenced. Expenditures of the grants could not be determined for any one period of time because prior period items were not distinguished from the current period. Failure to meet the federal requirements of this program could risk the loss of these federal grant moneys for the program or make the program contingently liable for any misspent funds.

RECOMMENDATION #6

WE RECOMMEND THAT THE SOCIETY MAINTAIN AN ADEQUATE RECORDKEEPING SYSTEM FOR THE HISTORIC PRESERVATION PROGRAM.

## VENDOR PAYMENTS

To maintain good business relations and take advantage of available vendor discounts, the Society should pay vendor invoices in a timely manner. During our testing of prior year expenditure transactions for fiscal year 1978-79 and 1979-80, we noted 9 out of 18 vendor payments were not timely. The payment delays varied from 6 to 10½ months. Good business practice dictates that vendors be paid in a timely manner.

### RECOMMENDATION #7

WE RECOMMEND THAT THE SOCIETY PAY VENDOR INVOICES IN A TIMELY MANNER.

## EXCESSIVE INVENTORIES

At June 30, 1980 the Society had numerous inventory items on hand in excess of what was necessary to meet its immediate needs.

A Certified Public Accountant (CPA) was hired by the Society to determine necessary accounting requirements for its inventories. The CPA noted that at June 30, 1980, 28 items of inventory consisting of books and prints published by the Society far exceeded what could be reasonably expected to meet immediate demands.

We took an inventory count of four of these items on April 16, 1981. We noted the following:

| Description | Quantity 6/30/80 | Quantity 4/16/81 | Average Yearly Sales | Years Supply Remaining |
|---|---|---|---|---|
| Not in Precious Metals Alone | 1,872 | 1,700 | 229 | 7 |
| Symbols of Montana | 2,550 | 2,073 | 636 | 3 |
| Price of Hi Hide | 1,374 | 1,264 | 146 | 9 |
| Serious Predicament | 1,976 | 1,965 | 15 | 131 |

In another instance, a book whose original cost to the Society was $10 per copy was sold for $6 per copy. Sales averaged five books per year. A 24-year supply (121) of these books was on hand at June 30, 1980.

RECOMMENDATION #8

WE RECOMMEND THAT THE SOCIETY LIMIT PURCHASES OF BOOKS AND PRINTS TO AMOUNTS NECESSARY TO MEET IMMEDIATE DEMAND.

## PRIOR AUDIT RECOMMENDATIONS

The Society was audited under contract with our office for the fiscal year ended June 30, 1978. The CPA firm's report contained 50 recommendations. The Society concurred with 49 of the recommendations and did not concur with one. They have implemented or partially implemented 38 recommendations, did not implement 11 recommendations, and 1 recommendation was no longer applicable. We have addressed prior recommendations partially implemented or not implemented in various sections of this report.

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

STATE OF MONTANA
# Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/449-3122

JAMES H. GILLETT, C.P.A.
ACTING LEGISLATIVE AUDITOR

JOHN W. NORTHEY
STAFF LEGAL COUNSEL

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the Combined Balance Sheet of the various funds and account group of the Montana Historical Society as of June 30, 1980, and the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance/Retained Earnings - Budget and Actual of such funds for the two years then ended. Except as set forth in the fifth paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Society's accounting methods for the Merchandise program within the Revolving Fund precluded preparation of a Statement of Changes in Financial Position as required by generally accepted accounting principles.

As stated in Note 9 the Society did not report the Teakle Trust investment within its accounting records. Therefore, the Combined Balance Sheet and the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance/Retained Earnings - Budget and Actual does not include the required Trust and Legacy Fund. Also, a Statement of Changes in Financial Position for this

fund is not presented as required by generally accepted accounting principles.

The Society recorded improper abatements within the General Fund. If the transactions had been properly recorded, the Society would have overspent its appropriation authority by $4,340 in fiscal year 1979-80. The situation is discussed further in Note 6.

The Society's records and controls for Revolving Fund Merchandise program sales are inadequate. These sales amounted to $220,844 in fiscal year 1978-79 and $272,165 in fiscal year 1979-80. This matter is discussed further beginning on page 3 of this report. The Society's records did not permit the application of adequate alternative testing procedures regarding the reasonableness of this Merchandise program revenue, expenses and beginning inventory balances. As a result, we were unable to apply procedures which we considered necessary in order to express an opinion on the sale of documents, merchandise, and property of the Merchandise program. Therefore, we do not express an opinion on the Revolving Fund on the Combined Balance Sheet as of June 30, 1980 and the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance/Retained Earnings - Budget and Actual for the fiscal years ended June 30, 1979 and 1980.

In our opinion, the financial statements listed below present fairly the financial position of such funds of the Montana Historical Society at June 30, 1980 and the results of operations, and changes in fund balance of such funds for the fiscal years ended June 30, 1979 and June 30, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

| Statement Name | Funds and Account Group |
|---|---|
| Balance Sheet | General Fund<br>Earmarked Revenue Fund<br>Federal and Private Revenue Fund<br>Federal and Private Grant Clearance Fund<br>Bond Proceeds and Insurance Clearance Fund<br>Agency Fund<br>General Fixed Assets |
| Statement of Revenues, Expenditures, and Changes in Fund Balance/Retained Earnings | General Fund<br>Earmarked Revenue Fund<br>Federal and Private Revenue Fund<br>Federal and Private Grant Clearance Fund<br>Bond Proceeds and Insurance Clearance Fund<br>Agency Fund |

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying items titled "Total (Memorandum Only)" on the Combined Balance Sheet, and the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance/Retained Earnings - Budget and Actual are presented as supplemental information and are not required for a fair presentation of the financial statements. This information has been subjected to the tests and other auditing procedures applied in our examination of the financial statements, and, in our opinion, except for the effects of the matter discussed in paragraph five, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

James H. Gillett, CPA
Acting Legislative Auditor

October 24, 1980

MONTANA HISTORICAL SOCIETY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 1980

| | GOVERNMENTAL FUND TYPES | | | | | PROPRIETARY FUND TYPES | | ACCOUNT GROUP | |
|---|---|---|---|---|---|---|---|---|---|
| | | Special Revenue Funds | | | | | | | |
| | General | Earmarked Revenue | Federal & Private Revenue | Federal & Private Grant Clearance | Bond Proceeds & Insurance Clearance | Revolving | Agency | General Fixed Assets | Totals (Memorandum Only) |
| ASSETS | | | | | | | | | |
| Cash | $ 525 | $12 | $ 79,269 | $14,047 | $5,078 | $ 15,656 | $3,682 | | $118,269 |
| Federal Cost Reimbursement Receivable | | | 29,786 | 15,600 | | | | | 45,386 |
| Accounts Receivable - Receipts | | | 539 | | | 5,916 | | | 6,455 |
| Accounts Receivable - Dishonored Checks | | | 13 | | | 442 | | | 455 |
| Inter-Entity Loans Receivable | | | 3,337 | | | | | | 3,337 |
| Other Investments - Cost | | | 20,752 | | | | | | 20,752 |
| Equipment | | | | | | 33,697 | | | 33,697 |
| Reduction of Non-General Fixed Asset | | | | | | (6,121) | | | (6,121) |
| Merchandise Inventory | | | | | | 129,953 | | | 129,953 |
| General Fixed Assets - Equipment | | | | | | | | $164,433 | 164,433 |
| Museum Collection (Note 1) | | | | | | | | | |
| Transfer of Cash from Consolidated Entity | | 70 | | | | | | | 70 |
| Appropriation Authority Available to Pay Accounts Payable and Accrued Expenditures | 24,068 | | | | | | | | 24,068 |
| Total Assets | $24,593 | $82 | $133,696 | $29,647 | $5,078 | $179,543 | $3,682 | $164,433 | $540,754 |
| LIABILITIES AND FUND BALANCE/ RETAINED EARNINGS | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts Payable | | | $ 167 | | | | $ 546 | | $ 713 |
| Inter-Entity Loans Payable | | | 3,337 | | | | | | 3,337 |
| Accrued Expenditures | $24,068 | $70 | 13,919 | $15,600 | | $ 29,951 | | | 83,608 |
| Receipts Collected in Advance | | | 51,232 | | | 83,442 | | | 134,674 |
| Due Consolidated Entity | 525 | | | | | | | | 525 |
| Total Liabilities | 24,593 | 70 | 68,655 | 15,600 | | 113,393 | 546 | -0- | 222,857 |
| Fund Balance/Retained Earnings: | | | | | | | | | |
| Donated Fixed Assets | | | | | | | | $ 2,010 | 2,010 |
| General Fund Fixed Asset Investments | | | | | | | | 160,523 | 160,523 |
| Federal and Private Revenue Fund Investments | | | | | | | | 1,900 | 1,900 |
| Fund Balance/Retained Earnings | -0- | 12 | 65,041 | 14,047 | $5,078 | 66,150 | 3,136 | | 153,464 |
| Total Fund Balance/ Retained Earnings | -0- | 12 | 65,041 | 14,047 | 5,078 | 66,150 | 3,136 | 164,433 | 317,897 |
| Total Liabilities and Fund Balance/Retained Earnings | $24,593 | $82 | $133,696 | $29,647 | $5,078 | $179,543 | $3,682 | $164,433 | $540,754 |

The notes to the financial statements are an integral part of this statement.

MONTANA HISTORICAL SOCIETY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/RETAINED EARNINGS - BUDGET AND ACTUAL
ALL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1980

| | GOVERNMENTAL FUND TYPES | | |
|---|---|---|---|
| | General Fund | | |
| | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES: | | | |
| Taxes | | | |
| Reimbursements | | | |
| Sale of Documents, Merchandise, and Property | | $ 4,650 | $4,650 |
| Grants, Gifts, Bequests, and Donations | | | |
| Income Collections and Transfers | | | |
| Federal Assistance | | | |
| Total Revenues | $ -0- | 4,650 | 4,650 |
| EXPENDITURES: | | | |
| Historical Society Board of Trustees | | | |
| Administration | 136,457 | 136,457 | -0- |
| Library (Note 6) | 96,493 | 100,833 | (4,340) |
| Museum | 71,247 | 71,247 | -0- |
| Publications | 27,687 | 23,144 | 4,543 |
| Merchandising | | | |
| Historic Sites | 47,551 | 47,513 | 38 |
| Archives | 122,825 | 122,825 | -0- |
| Libby Dam | | | |
| Total Expenditures | 502,260 | 502,019 | 241 |
| EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES | (502,260) | (497,369) | 4,891 |
| OTHER FINANCING SOURCES (USES) | | | |
| Prior Year Adjustments | (1,862) | (1,862) | -0- |
| Eliminate Incorrect Travel Advance Balances | (1,055) | (1,055) | -0- |
| To Record Donated Stock Certificate | | | |
| Correction to PAMS | | | |
| Entries to Record Equipment | | | |
| Entry to Record Deferred Subscription Revenue | | | |
| Adjustment of Merchandise Inventory | | | |
| Transfers From Consolidated Entity | | | |
| Support (to) from the General Fund | 505,177 | 500,286 | (4,891) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) | -0- | -0- | -0- |
| FUND BALANCES/RETAINED EARNINGS JULY 1, 1979 | -0- | -0- | -0- |
| FUND BALANCES/RETAINED EARNINGS JUNE 30, 1980 | $ -0- | $ -0- | $-0- |

The notes to the financial statements are an integral part of this statement.

| GOVERNMENTAL FUND TYPES | | | | | |
|---|---|---|---|---|---|
| SPECIAL REVENUE FUNDS | | | | | |
| Earmarked Revenue Fund | | | Federal and Private Revenue Fund | | |
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| $50,000 | | $(50,000) | | | |
| | | | $ 90,000 | $ 80,813 | $ (9,187) |
| | | | 10,000 | 8,368 | (1,632) |
| | | | 62,104 | 35,287 | (26,817) |
| 20,000 | | (20,000) | | | |
| | | | 226,717 | 156,687 | (70,030) |
| 70,000 | $ -0- | (70,000) | 388,821 | 281,155 | (107,666) |
| 50,000 | 49,770 | 230 | 48,487 | 32,776 | 15,711 |
| | | | 35,224 | 33,884 | 1,340 |
| 20,000 | | 20,000 | 60,618 | 31,943 | 28,675 |
| | | | 122,806 | 85,515 | 37,291 |
| | | | 51,379 | 21,580 | 29,799 |
| | | | 78,528 | 54,925 | 23,603 |
| 70,000 | 49,770 | 20,230 | 397,042 | 260,623 | 136,419 |
| -0- | (49,770) | (49,770) | (8,221) | 20,532 | 28,753 |
| | | | 7,634 | 7,634 | -0- |
| | | | (375) | (375) | -0- |
| | | | 20,752 | 20,752 | -0- |
| 49,770 | 49,770 | -0- | | | |
| 49,770 | | (49,770) | 19,790 | 48,543 | 28,753 |
| 12 | 12 | -0- | 16,497 | 16,497 | -0- |
| $49,782 | $ 12 | $(49,770) | $ 36,287 | $ 65,040 | $ 28,753 |

MONTANA HISTORICAL SOCIETY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/RETAINED EARNINGS - BUDGET AND ACTUAL
ALL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1980
(Continued)

| | GOVERNMENTAL FUND TYPES | | |
|---|---|---|---|
| | SPECIAL REVENUE FUNDS | | |
| | Federal & Private Grant Clearance Fund | | |
| | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES: | | | |
| Taxes | | | |
| Reimbursements | | | |
| Sale of Documents, Merchandise, and Property | | | |
| Grants, Gifts, Bequests, and Donations | | | |
| Income Collections and Transfers | | | |
| Federal Assistance | $893,797 | $566,809 | $(326,988) |
| Total Revenues | 893,797 | 566,809 | (326,988) |
| EXPENDITURES: | | | |
| Historical Society Board of Trustees | | | |
| Administration | | | |
| Library (Note 6) | | | |
| Museum | | | |
| Publications | | | |
| Merchandising | | | |
| Historic Sites | 893,797 | 563,859 | 329,938 |
| Archives | | | |
| Libby Dam | | | |
| Total Expenditures | 893,797 | 563,859 | 329,938 |
| EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES | -0- | 2,950 | 2,950 |
| OTHER FINANCING SOURCES (USES) | | | |
| Prior Year Adjustments | | | |
| Eliminate Incorrect Travel Advance Balances | | | |
| To Record Donated Stock Certificate | | | |
| Correction to PAMS | | | |
| Entries to Record Equipment | | | |
| Entry to Record Deferred Subscription Revenue | | | |
| Adjustment of Merchandise Inventory | | | |
| Transfers From Consolidated Entity | | | |
| Support (to) from the General Fund | | | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) | -0- | 2,950 | 2,950 |
| FUND BALANCES/RETAINED EARNINGS JULY 1, 1979 | 11,097 | 11,097 | -0- |
| FUND BALANCES/RETAINED EARNINGS JUNE 30, 1980 | $ 11,097 | $ 14,047 | $ 2,950 |

The notes to the financial statements are an integral part of this statement.

GOVERNMENTAL FUND TYPES

SPECIAL REVENUE FUNDS

Bond Proceeds & Insurance Clearance Fund

| Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|
| $3,000 | $ 200 | $(2,800) |
| 3,000 | 200 | (2,800) |
| 3,000 | 700 | 2,300 |
| 3,000 | 700 | 2,300 |
| -0- | (500) | (500) |
| -0- | (500) | (500) |
| 5,578 | 5,578 | -0- |
| $5,578 | $5,078 | $ (500) |

MONTANA HISTORICAL SOCIETY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES/RETAINED EARNINGS - BUDGET AND ACTUAL
ALL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1980
(Continued)

| | PROPRIETARY FUND TYPES | | |
|---|---|---|---|
| | ENTERPRISE FUND | | |
| | Revolving Fund | | |
| | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES: | | | |
| Taxes | | | |
| Reimbursements | | | |
| Sale of Documents, Merchandise, and Property | $427,000 | $402,720 | $(24,280) |
| Grants, Gifts, Bequests, and Donations | | | |
| Income Collections and Transfers | | | |
| Federal Assistance | | | |
| Total Revenues | 427,000 | 402,720 | (24,280) |
| EXPENDITURES: | | | |
| Historical Society Board of Trustees | | 6,121 | (6,121) |
| Administration | | | |
| Library | | | |
| Museum | | | |
| Publications | 121,110 | 121,110 | -0- |
| Merchandising | 213,838 | 204,849 | 8,989 |
| Historic Sites | | | |
| Archives | 7,000 | 6,531 | 469 |
| Libby Dam | | | |
| Total Expenditures | 341,948 | 338,611 | 3,337 |
| EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES | 85,052 | 64,109 | (20,943) |
| OTHER FINANCING SOURCES (USES) | | | |
| Prior Year Adjustments | (32,242) | (32,242) | -0- |
| Eliminate Incorrect Travel Advance Balances | | | |
| To Record Donated Stock Certificate | | | |
| Correction to PAMS | | | |
| Entries to Record Equipment | 33,697 | 33,697 | -0- |
| Entry to Record Deferred Subscription Revenue | (83,442) | (83,442) | -0- |
| Adjustment of Merchandise Inventory | 23,903 | 23,903 | -0- |
| Transfers From Consolidated Entity | | | |
| Support (to) from the General Fund | | | |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) | 26,968 | 6,025 | (20,943) |
| FUND BALANCES/RETAINED EARNINGS JULY 1, 1979 | 60,125 | 60,125 | -0- |
| FUND BALANCES/RETAINED EARNINGS JUNE 30, 1980 | $ 87,093 | $ 66,150 | $(20,943) |

The notes to the financial statements are an integral part of this statement.

| PROPRIETARY FUND TYPES | | | | | |
|---|---|---|---|---|---|
| Agency Fund | | | Totals (Memorandum Only) | | |
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| | | | $ 50,000 | | $ (50,000) |
| | | | 93,000 | $ 81,013 | (11,987) |
| $60,000 | $30,958 | $(29,042) | 497,000 | 446,696 | (50,304) |
| | | | 62,104 | 35,287 | (26,817) |
| | | | 20,000 | | (20,000) |
| | | | 1,120,514 | 723,496 | (397,018) |
| 60,000 | 30,958 | (29,042) | 1,842,618 | 1,286,492 | (556,126) |
| | 5,918 | (5,918) | | 12,039 | (12,039) |
| | | | 237,944 | 219,703 | 18,241 |
| | | | 131,717 | 134,717 | (3,000) |
| | | | 151,865 | 103,190 | 48,675 |
| | | | 148,797 | 144,254 | 4,543 |
| | 28,258 | (28,258) | 213,838 | 233,107 | (19,269) |
| | | | 1,064,154 | 696,887 | 367,267 |
| | | | 181,204 | 150,936 | 30,268 |
| | | | 78,528 | 54,925 | 23,603 |
| -0- | 34,176 | (34,176) | 2,208,047 | 1,749,758 | 458,289 |
| 60,000 | (3,218) | (63,218) | (365,429) | (463,266) | (97,837) |
| 615 | 615 | -0- | (25,855) | (25,855) | -0- |
| | | | (1,430) | (1,430) | -0- |
| | | | 20,752 | 20,752 | -0- |
| (950) | (950) | -0- | (950) | (950) | -0- |
| | | | 33,697 | 33,697 | -0- |
| | | | (83,442) | (83,442) | -0- |
| | | | 23,903 | 23,903 | -0- |
| | | | 49,770 | 49,770 | -0- |
| | | | 505,177 | 500,286 | (4,891) |
| 59,665 | (3,553) | (63,218) | 156,193 | 53,465 | (102,728) |
| 6,689 | 6,689 | -0- | 99,998 | 99,998 | -0- |
| $66,354 | $ 3,136 | $(63,218) | $ 256,191 | $ 153,463 | $(102,728) |

MONTANA HISTORICAL SOCIETY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES/RETAINED EARNINGS - BUDGET AND ACTUAL
ALL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1979

| | GOVERNMENTAL FUND TYPES | | |
|---|---|---|---|
| | General Fund | | |
| | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES: | | | |
| Reimbursements | | | |
| Sale of Documents, Merchandise, and Property | | $ 7,383 | $7,383 |
| Grants, Gifts, Bequests, and Donations | | | |
| Income Collections and Transfers | | | |
| Federal Assistance | | | |
| Total Revenues | $ -0- | 7,383 | 7,383 |
| EXPENDITURES: | | | |
| Administration | 104,481 | 104,481 | -0- |
| Library (Note 6) | 110,350 | 117,733 | (7,383) |
| Museum | 62,909 | 58,945 | 3,964 |
| Publications | | | |
| Merchandising | | | |
| Historic Sites | 25,000 | 23,643 | 1,357 |
| Archives | 102,043 | 98,324 | 3,719 |
| Libby Dam | | | |
| Total Expenditures | 404,783 | 403,126 | 1,657 |
| EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES | (404,783) | (395,743) | 9,040 |
| OTHER FINANCING SOURCES (USES) | | | |
| Prior Year Adjustments | (4,304) | (4,304) | -0- |
| Correction of Prior Year Advance Account | | | |
| To Establish Merchandise Inventory | | | |
| Transfers From Consolidated Entity | | | |
| Support (to) from the General Fund | 409,087 | 400,047 | (9,040) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) | -0- | -0- | -0- |
| FUND BALANCES/RETAINED EARNINGS JULY 1, 1978 | -0- | -0- | -0- |
| FUND BALANCES/RETAINED EARNINGS JUNE 30, 1979 | $ -0- | $ -0- | $-0- |

The notes to the financial statements are an integral part of this statement.

| GOVERNMENTAL FUND TYPES | | | | | |
|---|---|---|---|---|---|
| SPECIAL REVENUE FUNDS | | | | | |
| Earmarked Revenue Fund | | | Federal & Private Revenue Fund | | |
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| | | | $ 90,000 | $ 54,508 | $(35,492) |
| | | | 27,000 | 10,029 | (16,971) |
| $295,000 | | $(295,000) | 10,000 | 18,081 | 8,081 |
| 15,000 | | (15,000) | | | |
| | | | 37,162 | 51,711 | 14,549 |
| 310,000 | $ -0- | (310,000) | 164,162 | 134,329 | (29,833) |
| | | | 10,688 | 9,222 | 1,466 |
| | | | 5,000 | 5,000 | -0- |
| 315,000 | 218,000 | 97,000 | 38,621 | 20,457 | 18,164 |
| | | | 50,000 | 36,509 | 13,491 |
| | | | 82,715 | 63,285 | 19,430 |
| 315,000 | 218,000 | 97,000 | 187,024 | 134,473 | 52,551 |
| (5,000) | (218,000) | (213,000) | (22,862) | (144) | 22,718 |
| | | | 4,958 | 4,958 | -0- |
| | | | 17,884 | 17,884 | -0- |
| 295,000 | 295,000 | -0- | | | |
| 290,000 | 77,000 | (213,000) | (20) | 22,698 | 22,718 |
| (76,988) | (76,988) | -0- | (6,201) | (6,201) | -0- |
| $213,012 | $ 12 | $(213,000) | $ (6,221) | $ 16,497 | $ 22,718 |

MONTANA HISTORICAL SOCIETY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/RETAINED EARNINGS - BUDGET AND ACTUAL
ALL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1979
(Continued)

| | GOVERNMENTAL FUND TYPES | | |
|---|---|---|---|
| | SPECIAL REVENUE FUNDS | | |
| | Federal & Private Grant Clearance Fund | | |
| | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES: | | | |
| Reimbursements | | | |
| Sale of Documents, Merchandise, and Property | | | |
| Grants, Gifts, Bequests, and Donations | | | |
| Income Collections and Transfers | | | |
| Federal Assistance | $325,000 | $670,899 | $ 345,899 |
| Total Revenues | 325,000 | 670,899 | 345,899 |
| EXPENDITURES: | | | |
| Administration | | | |
| Library | | | |
| Museum | | | |
| Publications | | | |
| Merchandising | | | |
| Historic Sites | | 674,130 | (674,130) |
| Archives | | | |
| Libby Dam | | | |
| Total Expenditures | -0- | 674,130 | (674,130) |
| EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES | 325,000 | (3,231) | (328,231) |
| OTHER FINANCING SOURCES (USES) | | | |
| Prior Year Adjustments | | | |
| Correction of Prior Year Advance Account | | | |
| To Establish Merchandise Inventory | | | |
| Transfers From Consolidated Entity | | | |
| Support (to) from the General Fund | | | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) | 325,000 | (3,231) | (328,231) |
| FUND BALANCES/RETAINED EARNINGS JULY 1, 1978 | 14,328 | 14,328 | -0- |
| FUND BALANCES/RETAINED EARNINGS JUNE 30, 1979 | $339,328 | $ 11,097 | $(328,231) |

The notes to the financial statements are an integral part of this statement.

| GOVERNMENTAL FUND TYPES | | |
|---|---|---|
| SPECIAL REVENUE FUNDS | | |
| Bond Proceeds & Insurance Clearance Fund | | |
| Budget | Actual | Variance Favorable (Unfavorable) |
| $-0- | $-0- | $-0- |
| -0- | -0- | -0- |
| -0- | -0- | -0- |
| 5,578 | 5,578 | -0- |
| $5,578 | $5,578 | $-0- |

MONTANA HISTORICAL SOCIETY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES/RETAINED EARNINGS - BUDGET AND ACTUAL
ALL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1979
(Continued)

| | PROPRIETARY FUND TYPES | | |
|---|---|---|---|
| | ENTERPRISE FUND | | |
| | Revolving Fund | | |
| | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES: | | | |
| Reimbursements | | | |
| Sale of Documents, Merchandise, and Property | $430,000 | $324,247 | $(105,753) |
| Grants, Gifts, Bequests, and Donations | | | |
| Income Collections and Transfers | 44,293 | 44,293 | -0- |
| Federal Assistance | | | |
| Total Revenues | 474,293 | 368,540 | (105,753) |
| EXPENDITURES: | | | |
| Administration | 44,293 | 44,293 | -0- |
| Library (Note 6) | | | |
| Museum | | | |
| Publications | 165,236 | 136,861 | 28,375 |
| Merchandising | 276,517 | 221,168 | 55,349 |
| Historic Sites | | | |
| Archives | | | |
| Libby Dam | | | |
| Total Expenditures | 486,046 | 402,322 | 83,724 |
| EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES | (11,753) | (33,782) | (22,029) |
| OTHER FINANCING SOURCES (USES) | | | |
| Prior Year Adjustments | 1,720 | 1,720 | -0- |
| Correction of Prior Year Advance Account | | | |
| To Establish Merchandise Inventory | 106,050 | 106,050 | -0- |
| Transfers From Consolidated Entity | | | |
| Support (to) from the General Fund | | | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) | 96,017 | 73,988 | (22,029) |
| FUND BALANCES/RETAINED EARNINGS JULY 1, 1978 | (13,862) | (13,862) | -0- |
| FUND BALANCES/RETAINED EARNINGS JUNE 30, 1979 | $ 82,155 | $ 60,126 | $ (22,029) |

The notes to the financial statements are an integral part of this statement.

| PROPRIETARY FUND TYPES | | | | | |
|---|---|---|---|---|---|
| Agency Fund | | | Totals (Memorandum Only) | | |
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| | | | $ 90,000 | $ 54,508 | $ (35,492) |
| $40,000 | $49,278 | $ 9,278 | 497,000 | 390,937 | (106,063) |
| | | | 305,000 | 18,081 | (286,919) |
| | | | 59,293 | 44,293 | (15,000) |
| | | | 362,162 | 722,610 | 360,448 |
| 40,000 | 49,278 | 9,278 | 1,313,455 | 1,230,429 | (83,026) |
| | | | 159,462 | 157,996 | 1,466 |
| | | | 115,350 | 122,733 | (7,383) |
| | | | 416,530 | 297,402 | 119,128 |
| | | | 165,236 | 136,861 | 28,375 |
| | 51,154 | (51,154) | 276,517 | 272,322 | 4,195 |
| | | | 75,000 | 734,282 | (659,282) |
| | | | 102,043 | 98,324 | 3,719 |
| | 3,206 | (3,206) | 82,715 | 66,491 | 16,224 |
| -0- | 54,360 | (54,360) | 1,392,853 | 1,886,411 | (493,558) |
| 40,000 | (5,082) | (45,082) | (79,398) | (655,982) | (576,584) |
| | | | 2,374 | 2,374 | -0- |
| | | | 17,884 | 17,884 | |
| | | | 106,050 | 106,050 | -0- |
| | | | 295,000 | 295,000 | -0- |
| | | | 409,087 | 400,047 | (9,040) |
| 40,000 | (5,082) | (45,082) | 750,997 | 165,373 | (585,624) |
| 11,771 | 11,771 | -0- | (65,374) | (65,374) | -0- |
| $51,771 | $ 6,689 | $(45,082) | $ 685,623 | $ 99,999 | $(585,624) |

MONTANA HISTORICAL SOCIETY

Notes to the Financial Statements

Fiscal Years Ended June 30, 1979 and 1980

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System (SBAS).

The state of Montana utilizes the modified accrual basis of accounting. Modified accrual recognizes revenue when received in cash unless susceptible to accrual. Revenues are susceptible to accrual if they are measurable and available to finance expenditures of the fiscal period and are not received at the normal time of receipt. Expenditures are recognized when a valid obligation is incurred.

For the enterprise operations, the Society uses the full accrual basis of accounting.

### Fund Accounting System

The state of Montana accounts are organized utilizing a fund structure outlined in section 17-2-102, MCA. For financial presentation, these funds have been reclassified according to the recommended format established by the National Council on Governmental Accounting (NCGA), Governmental Accounting and Financial Reporting Principles Statement 1. For example, the Agency Fund was reclassified as a Proprietary Type Fund.

--Governmental Fund Types

General Fund

To account for moneys, except those moneys required to be accounted for in another fund. General Fund moneys deposited in the state treasury are available to defray the costs of state government.

Special Revenue Funds

These account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These sources include donations, federal grants, and insurance claim collections. Special revenue funds include the Earmarked Revenue Fund, Federal and Private Revenue Fund, Federal and Private Grant Clearance Fund, and the Bond Proceeds and Insurance Clearance Fund.

--Proprietary Fund Type

Revolving Fund

A self-supporting fund where the amount of revenues is primarily derived from user charges. The Society utilizes the revolving fund to account for its merchandising and publications programs.

Agency Fund

The fund accounts for the Society's sale of consigned goods.

Inventories

Assets are normally not recorded for supplies inventory, but are expensed at the time of acquisition.

Publication inventory which includes back issues of the Montana magazine is valued using a FIFO average cost basis.

Merchandising inventory is valued at FIFO for all goods except donated and excessively stocked inventory. Donated inventory is valued at sales price less 50 percent markup. Excessively stocked inventory is valued on a FIFO three-year supply.

Vacation and Sick Leave

Employees' unused vacation and sick pay liabilities are not recorded, but are expensed when paid. Permanent employees are allowed to accumulate and carryover a maximum of two times their annual accumulation of vacation into 90 days of a new calendar year. Qualifying employees having unused accumulated vacation and sick leave are paid 100 percent for vacation and 25 percent for sick leave upon termination. The liability amount associated with unused accumulated vacation and sick leave at June 30, 1980 is maintained on an hourly basis rather than by dollar amount. The monetary liability is not calculated until an employee terminates.

Museum Collections

The practice followed by many museums is not to record purchased and donated art objects in the balance sheet.

The collections at Montana Historical Society include C.M. Russell, Poindexter, Ethnographic, Griffin, History, Haynes, and the Permanent Fine Arts Collection. Library and Archives consist of books, periodicals, maps, microfiche, photographs, and manuscripts.

The value of these collections at the Society's most reasonable estimate is $25,414,650 at June 30, 1980.

2. EMPLOYEES' RETIREMENT SYSTEM

The Society's employees are covered by the Public Employees' Retirement System (PERS). Under the plan, the Society contributes 6.2 percent of employees' gross wages and the employee contributes 6 percent of his gross wages to PERS. During fiscal year 1978-79 and 1979-80, the Society contributed $26,382 and $30,494, respectively.

The state's policy is to fund accrued pension costs. The last actuarial valuation of PERS at June 30, 1980 showed the system actuarially sound. The Society's share of unfunded past service costs and the actuarially computed value of vested benefits was not readily available.

3. INVESTMENTS

Investments recorded are donated stock received from individuals. The values assigned to these shares are fair market value at date of acquisition.

4. BUILDING RENT

The Department of Administration computed and billed the Society for building rent of $66,234 during fiscal year 1979-80. The amount of General Fund appropriation in the rent category was not sufficient to cover the amount billed. After discussion with the Office of Budget and Program Planning it was decided that the Society would not have to pay rent expense for the months of April, May, and June 1980.

5. GENERAL FUND BALANCE

The General Fund beginning and ending fund balance is zero on a non-consolidated basis. At fiscal year-end any balance in the fund is owed to the consolidated entity.

6. GENERAL FUND OVERSPENDING

As explained on page 8 of this report, the Society recorded improper expenditure abatements. The financial statements were adjusted to correct the error. House Bill 483 appropriated the Administration, Library, Museum, and Archives programs together on a line item basis within the General Fund. With adjustments for the error the Society overspent this line itemed appropriation by $4,340. The Society is in the process of correcting the problem for fiscal year 1980-81.

7. NON-APPROPRIATED EXPENDITURES

Expenditures from the Federal and Private Grant Clearance Fund do not require appropriations. During fiscal year 1979-80 these expenditures were administratively appropriated.

8. BUDGETARY REPORTING

The annual appropriations process used for controlling financial operations is set for each fiscal year of a biennium by the Legislature. At the end of each fiscal year, the Society's Earmarked Revenue, Federal and Private Revenue, and Revolving Fund appropriations revert to the fund of original appropriation. The reverted amount may be spent for valid prior year obligations.

Budget amendments may be obtained to spend funds that were not available for consideration by the Legislature but have become available from sources other than the state's General Fund or Earmarked Revenue Fund, or Federal Revenue Sharing moneys. Earmarked Revenue Fund budget amendments may be approved only if an emergency justifies the expenditures.

Appropriations of the Society were established within the following areas:

Administration, Library, and Museum programs
Historic Sites program
Magazine and Merchandising programs
Magazine and Merchandising, Cost of Goods Sold

9. TEAKLE TRUST

The Thomas Teakle Estate investment of $30,000 was recorded in the Trust and Legacy Fund at the Department of State Lands. To properly reflect total investments within the Society's accounting records, the principal should be reported in the Society's records. The Society recorded the investment in its records during fiscal year 1980-81.

AGENCY REPLY

# MONTANA HISTORICAL SOCIETY

225 NORTH ROBERTS STREET • (406) 449-2694 • HELENA, MONTANA 59601


April 22, 1981

Mr. James H. Gillett
Acting Legislative Auditor
State Capitol
Helena, Montana 59620


RECEIVED

MONTANA LEGISLATIVE AUDITOR


Dear Mr. Gillett:

The following is the Montana Historical Society's response to the audit for the two fiscal years ended June 30, 1980.

Recommendation #1

We recommend that the Society:

A. Establish accountability and adequate internal controls over cash receipts for the enterprise operations.

B. Record depreciation expense in the enterprise operation in accordance with generally accepted accounting principles.

Response

The agency concurs. At the present time the cash register tape is reconciled to the collection report sent to the State Treasury on a daily basis by the Business Manager. We are working on and will implement a system for reconciliation of the cash receipts log to the amount deposited in the State Treasury.

Accumulated depreciation expense for the Merchandising Program ($6,919.00) and the Publications Program ($14,737.00) through June 30, 1980, was recorded in SBAS March 26, 1981, by journal voucher 81-91.

Recommendation #2

We recommend that the Society seek assistance from the Department of Administration and State Lands to properly report the trust investment in its financial records.

Response

The agency concurs. Pending final resolution of some technical problems, the Society has entered the investment on our records as an investment with trustee on journal voucher 81-103 dated April 8, 1981.

Recommendation #3

We recommend that the Society accrue all susceptible revenues and expenditures at fiscal year end to comply with generally accepted accounting principles and state accounting policy.

Response

The agency concurs. This recommendation was essentially implemented at fiscal year end 1979-80 except for the obligation in the Publication Program, where due to extenuating circumstances it was not complied with.

Recommendation #4

We recommend that the Society accurately reflect their financial activity by recording as revenue money received in exchange for goods and services.

Response

The agency concurs. A revolving fund was established July 1, 1980, to handle these transactions.

Recommendation #5

We recommend that the Society seek approval of and maintain an indirect cost plan to recover indirect costs of federal programs.

Response

The agency concurs. An indirect cost proposal is being developed at the present time.

Recommendation #6

We recommend that the Society maintain an adequate recordkeeping system for the Historic Preservation Program.

Response

The agency concurs. We found the ledger book recordkeeping system to be cumbersome, confusing and time consuming. We have modified the recordkeeping system as of July 1, 1980, and the new system seems adequate.

Recommendation #7

We recommend that the Society pay vendor invoices in a timely manner.

Response

The agency concurs. The problem in payment was due primarily to cash flow problems in the merchandising and publications enterprise operations. Bills could not be paid until there was adequate cash on hand to pay them.

Recommendation #8

We recommend that the Society limit purchases of books and prints to amounts necessary to meet immediate demand.

Response

In all cases the inventory items shown in the example are Society publications and reproductions. The Society is the sole source of the inventory. The quantities on hand are large because it consists of the entire press run, purchased under a quantity discount. The Society in essence is acting as the publisher of these items.

The Society would like to thank the Legislative Auditor's staff for the professional manner in which the audit was conducted and their assistance in improving the management and internal controls of the Society.

Sincerely,

Robert Archibald
Director

RA:dh